



Date: 12/13/2024
Memo to: Ken Geisick, Superintendent
From: Jean Aldrete, Chief Business Officer
Subject: 2024-2025 First Interim Report

Introduction:

Governor Newsom signed AB107 for an on-time budget on June 26, 2024 and signed both SB108 (Budget Bill Junior #1) and SB153 (Education Omnibus Trailer Bill). These bills maintained most of the proposals in the May Revision with a few additional changes.

On September 30, 2024 AB 176 (Education Omnibus Trailer Bill #2) was signed. The negotiated budget meets the state's budget challenges with Proposition 98 reserve withdrawals, spending reductions, new revenue proposals, internal borrowing, funding delays, fund shifts, and deferrals. The Governor eliminated most of his proposals of shifting revenues over several years in favor of suspending Proposition 98 and created a \$8.33 billion maintenance factor to be repaid to LEAs beginning with a \$4.07 billion payment in 2024-25.

The major provisions of the 2024-25 State Budget include:

- Funded 1.07% COLA for the Local Control Funding Formula (LCFF), Special Education and some of the state categorical programs.
- Partial deferral of \$245.6 million (less than 5%) of the LCFF June 2025 payment delayed until July 2025
- New provisions that allow students to make up lost instructional time to offset absences and learning recovery through an Attendance Recovery and Instructional Continuity program.
- \$100 million restoration of Inclusive Early Education Expansion Program for children ages 0-5.
- \$550 million to support California Preschool, Transitional Kindergarten, and Full-Day Kindergarten Facilities Grant Program.
- Suspension of the August 15 summer layoff window for certificated and classified staff in 2024-25.

LEAs across the state are still challenged by chronic absenteeism, declining enrollment, rising pension rates and energy costs. Many of the COVID funds deadlines were reached in September 2024. The Arts, Music, and Instructional Materials Block Grant, Expanded Learning Opportunities Grant and the Educator Effectiveness Grants expire on June 30, 2026. The Learning Recovery Emergency Block Grant expires on June 30, 2028.

The United States Congress has been unable to pass a budget or a Continuing Resolution to

maintain funding beyond mid-December 2024. A potential government shutdown has little effect on school districts as our federal funding is disbursed by July 1st. It will however impact reimbursements for federal child nutrition reimbursements and federally funded child care programs such as Head Start.

This First Interim Report represents our district's financial activities from the beginning of the fiscal year 2024-25 through October 31st, and contains revenue and expenditure projections for the current year and two subsequent years. This is a state-mandated report, which the Board of Trustees is required to certify to the county superintendent of schools declaring SUSD's financial condition as positive, qualified, or negative for the current and two subsequent fiscal years.

This report includes assumptions and recommendations by the CA Department of Finance, School Services of California, and the Santa Clara Office of Education. Revenue augmentations and expenditure adjustments included in this report are based on the latest information available to us.

Overview:

The following paragraphs highlight the **main components of the general fund**. These components include the revenues, expenditures and the contributions to legally mandated programs. This report also highlights the major revenue and expenditure assumptions.

Revenue: General Fund combined revenues are projected to be \$40,787,724. Compared to the 2024-25 Adopted Budget, total revenue increased by approximately \$796,442. This increase is due to a combination of:

- Increased property tax revenues of \$428K
- Decrease in federal Special Education and Title I offset by a slight increase in Title II and III for an overall decrease of \$4K
- Decrease in Expanded Learning Opportunity Grant of \$24K
- Increase in state lottery revenues of \$59K
- Increase in state mental health funds of \$79K
- Decrease in Proposition 28 of \$8K
- Increase in state Special Education revenues of \$80K
- Various miscellaneous site donations and one-time revenues of \$133K and site carryover of \$53K

Property tax revenues: The district will remain in community-funded status for 2024-25 and the two subsequent years. Based on the latest real property roll as of November 8, 2024 by the Santa Clara County Assessor's Office, the percent growth rate is currently 5.05% for the Saratoga Union School District. This growth is higher than what was projected at the time of the Adopted Budget, which was estimated at 4%.

The net roll corrections for 2024-25 is estimated at \$37 million throughout the county. Assessed Roll projections for 2025-26 will take place in January 2025 and annual assessment growth rates are capped to the lower of the Consumer Price Index (CPI) or 2%. The current estimated CPI for next year is at 2.86% at this time per School Services of California. Taking this into consideration, reviewing the trends in assessed value, changes in the current housing market and looking at the growth of secured and unsecured taxes, staff are being prudent in estimating the future tax revenues at approximately 4% for the out years. Based on these factors, the 2024-25 First Interim includes the following tax revenue growth rates for the current and two subsequent

fiscal years:

2024-25	5.05%
2025-26	4.00%
2026-27	4.00%

Expenditures: General Fund combined expenditures are projected to be at \$43,860,819, which is an increase of \$544,523 compared to the 2024-25 Adopted Budget. The increase can be attributed to:

- Decrease in staffing and related mandatory and benefit costs based on current staffing of \$596K,
- Increase in instructional materials of \$332K for textbooks, instructional supplies, TK supplies and SES library equipment, new benches for Argonaut Elementary, new equipment for the Redwood Middle School Cafeteria Remodel using one-time grant funds, site radios, custodial equipment and site carryover.
- Increased in services and operating costs of \$1.1M which includes over \$700K for special education non-public school contracts. Other increases are due to increased insurance costs, utilities and some technology contracts.
- Increase in capital outlay of \$93K for some equipment needs that did not meet capitalization requirements and were reported as non-capitalized equipment in the books and supplies category.
- Decrease in transfers out of \$158K due to a reduction out to the Basic Aid Reserve Fund as the fund has sufficient funds to meet 15% of last year's General Fund expenses per board policy.

Contributions to Restricted Programs are as follows:

Routine Restricted Maintenance:	\$ 1,937,468
Special Education	\$ 6,652,389
New Teacher Support Project	\$ 10,400
After-School Sports	\$ 60,854
After-School Music	<u>\$ 6,124</u>
Total	\$8,667,235

Staffing

Compared to the Adopted Budget, following are some of the changes to staffing as of October 31, 2024:

- Certificated positions increased by 2 FTE for one additional TK teacher and a Roving Sub Teacher.
- Classified positions increased by 2.2975 FTE due to the addition of 3.07 Treehouse activity leaders, 0.63 FTE for Noon Duty and a reduction of 1.4025 FTE for some minor adjustments in hours for some Special Education Aides and Prop 28 Aides.

The costs for the above listed positions have been reflected in 2024-25 and the two subsequent years.

Full Time Equivalents

FTEs	2024-25 Adopted	2024-25 1st Interim	2025-26 Subsequent Year	2026-27 Subsequent Year
Certificated	97.5	99.5	100.5	100.5
Certificated Management	8	8	8	8
Classified	93.064 (Amended)	95.3615	95.3615	95.3615
Classified Management	9 (Amended)	9	9	9
Confidential	3	3	3	3

Compensation

- The First Interim reflects the actual step-and-column costs for all employees.
- The District and its employee associations, STA (Saratoga Teachers Association) and SCA (Saratoga Classified Association) settled salary and benefits for the 2024-25 fiscal year of 7.5% on schedule.
- The District entered negotiations with STA in October 2024 for language in 2024-25 and a fully open contract for the 2025-26 fiscal year.
- The District and SCA will begin negotiations in Spring 2025.
- A 1.5% step-and-column increase is assumed for all existing employees for the two subsequent years of approximately \$356K in 2025-26 and \$364K in 2026-27.
- No additional salary increases were included in the 2025-26 or 2026-27 fiscal years as negotiations have not yet been settled for those years.

• Mandatory Employer Costs

The District incurs various mandatory costs based on salaries. The following costs are included in the budget as recorded as employee benefits:

Certificated Rates

STRS	19.05%
Unemployment Insurance	0.05%
Worker's Compensation	1.758%
Medicare	1.45%
Total	22.358%

Classified Rates

PERS	27.05%
Unemployment Insurance	0.05%
Worker's Compensation	1.758%
Medicare	1.45%
Social Security	6.20%
Total	36.508%

The cost of PERS has been increased over many years and continued increases are included in the two subsequent fiscal years of 0.55% for 2025-26 and 0.40% in 2026-27.

• Health and Welfare

- ❖ The cost sharing between the District and Certificated, Confidential and Management employees hired prior to July 1, 2023 for 2024-25 and the two subsequent fiscal years remain a 90% and 10% split.
- ❖ New employees in this group hired on July 1, 2023 and thereafter are capped at 90% of the lowest non-deductible HMO family plan (currently Kaiser), plus family dental and vision. Plan costs above the cap are borne entirely by the employee.
- ❖ The Health and Welfare benefit is capped at Kaiser family rate for 2024-25

and two subsequent years for classified non-management staff.

- ❖ An increase of 10% is assumed in the 2025-26 and 2026-27 fiscal years.

	2023-24 Actual	2024-25 First Interim	2025-26 First SY	2026-27 Second SY
Certificated	90%/10% split between District and Employee	90%/10% split between District and Employee	10% increase over prior year District's payment	10% increase over prior year District's payment
Classified	Kaiser Family Rate	Kaiser Family Rate	10% increase over prior year District's payment	10% increase over prior year District's payment
Confidential	90%/10% split between District and Employee	90%/10% split between District and Employee	10% increase over prior year District's payment	10% increase over prior year District's payment
Certificated Management	90%/10% split between District and Employee	90%/10% split between District and Employee	10% increase over prior year District's payment	10% increase over prior year District's payment
Classified Management	90%/10% split between District and Employee	90%/10% split between District and Employee	10% increase over prior year District's payment	10% increase over prior year District's payment
Estimated Cost	\$3,825,496	\$4,125,521	\$4,538,073	\$4,991,880

Utilities

The 2024-25 Budget includes \$1,090,870 for electricity, gas, phone, water, and garbage services. An increase of 10% each year is assumed for 2025-26 and 2026-27.

Parcel Tax Spending Plan

The parcel tax revenue is fixed at \$68 per parcel until the Parcel Tax Measure A expires in June 2028. The annual income is estimated at \$475,000 net of senior exemptions. Revenues for the two subsequent fiscal years are assumed to remain flat.

The updated parcel tax spending plan for 2024-25 is as follows:

Fund – Cost Center	Description	2023-24 Prior Year	2024-25 First Interim
040-001810	Parcel Tax Funded FTEs	\$326,855	\$323,873
040-001830	Teacher Leadership Compensation	\$57,633	\$63,627
040-002130	Curriculum Development	\$25,744	\$63,107
040-007800	Site Based Technology	\$59,595	\$24,393
Total:		\$469,827	\$475,000

Saratoga Education Foundation (SEF)

In the 2023-24 fiscal year, the Saratoga Education Foundation (SEF) provided a contribution of \$600K to cover program costs. In the 2024-25 year, SEF anticipates a contribution of \$550K.

In 2024-25, the District agreed to absorb the cost of the music program and in 2025-26 the cost of the PLTW program due to the continued decline of contributions from SEF. The expenditure plan below has allocated \$495,974 for various needs and SEF is planning to provide some additional support for all of the schools that will be included in the Second Interim Report once approved by both the SEF board and District Administration. The 2024-25 and 2025-26 and 2026-27 fiscal year budgets include step-and-column increases of 1.5%.

Fund – Cost Center	Program	2023-24 Prior Year	2023-24 First Interim
060-095710	Physical Education K-5	\$168,133	\$ -
060-095713	Science Lab Aides K-5	\$106,698	\$127,475
060-095721	Music Program TK-3	\$ 9,700	\$ -
060-095722	Music Program 4-5	\$161,129	\$ -
060-095723	Instructional Media Spec 3-5	\$110,810	\$135,671
060-095727	PLTW/Makerspace	\$153,659	\$232,828
Total Estimates:		\$710,129	\$495,974

Technology

Cost Center 7600, the Technology Replacement budget for 2024-25, is estimated at \$458,000. The Technology Operating Budget is in Cost Center 7700 and is estimated at \$1,250,264. This account is used to account for salaries and benefits of the Technology Department, software licenses, technology contracts, network expenses, materials and supplies, repairs, travel and conferences, and District Office technology replacements. Subsequent year budgets assume the same level of expenses and any multi-year changes in the overall Tech Plan are set aside as Assigned Fund Balance Reserves in the General Fund. The estimated Assigned Reserves for future technology needs over the current budgeted expenditure level as of the First Interim is \$250,000.

Carryover Balances:

- Now that the books are closed for 2023-24, it is time at the First Interim reporting period to add carryover balances for categorical programs. When expenditures include carryover balances from categorical funds from the prior year, there will be deficit spending in the Restricted General Fund. Therefore, you will see the deficit spending swings between the 2023-24 Unaudited Actuals and the 2024-25 First Interim. The interim reports provide tracking of deficit spending patterns during the course of the fiscal year (for unrestricted and restricted funds) based on estimates of revenues and expenditures. The final figure will be determined at the time of closing the books when all revenues and expenditures have been reconciled.

Other Budget Items:

- The General Fund is contributing \$3,500,000 to the Deferred Maintenance Fund for 2024-25 and 2025-26 and reduces to \$1,000,000 in 2026-27. Future maintenance projects include roof replacements, asphalt repairs and replacements, and other maintenance repairs that will be needed over the next several years. In early 2025, the Governing Board will receive staff input to update the facility master plan and decide on specific projects for the summer of 2025.
- The multiyear projections include an inter-fund transfer of \$225,000 in 2025-26 and \$250,000 in 2026-27 to the Cafeteria Fund.
- The multiyear projections include an inter-fund transfer of \$400,361 in 2025-26 and \$62,917 in 2026-27 to the Basic Aid Reserve Fund per board policy.

Assigned Reserves

Set asides of the General Fund Balance Reserves in the amount of \$1,250,000 in the current and two subsequent fiscal years are as follows:

- Maintenance and Other Projects: \$500,000 has been assigned in the fund balance reserves for maintenance and other projects that can address any unknown and emergency major repairs.
- Technology Plan - \$250,000 for anticipated expenditures to be incurred per the Educational Technology Plan above the current level of expenditures.
- Textbook Adoptions - \$500,000 for textbook adoptions has been set aside to offset the state reduction in the one-time Arts, Music, and Instructional Materials Block Grant.

Budget Concerns:

- Current projections do not reflect any negotiated salary increases for 2025-26 or 2026-27 fiscal years.
- Significant deferred maintenance repairs such as asphalt and roof repairs are anticipated over the next several years, which continue to be funded from General Fund reserves.
- Changes in the housing market have a direct impact on the growth of property taxes for SUSD. Staff will continue to monitor projections and adjust property tax projections adequately to reflect any changes.
- Enrollment changes may have unpredictable impacts. Although enrollment grew in the current year, overall county enrollment has declined. Staff will continue to monitor enrollment and make any necessary budget impacts as they occur.
- The District has absorbed some programs in 2024-25 and 2025-26 from the Saratoga Education Foundation affecting the Unrestricted General Fund.

Available Reserves:

	2024-25	2025-26	2026-27
General Fund Reserve for Economic Uncertainties Fund 01 – 3% Mandated	\$1,315,825	\$1,328,368	\$1,333,670
General Fund Undesignated/Unappropriated Amount - Fund 01	\$5,663,759	\$3,322,702	\$4,531,320
Special Reserve Fund Reserves – Fund 17	\$6,053,762	\$6,579,123	\$6,641,842
Combined Reserves (Funds 01 & 17)	\$13,033,346	\$11,230,193	\$12,506,832
Special Reserve Fund 17 Reserve % - Board Policy 15% of General Fund Expenditures	13.80%	14.86%	14.94%
General Fund 01 Reserve %	15.92%	10.50%	13.19%
Combined Reserve % (Fund 01 & 17)	29.72%	25.36%	28.13%

Available Reserves in Special Reserve Fund 17 are governed by Board Policy and Administrative Regulation 3100 and may only be used by majority vote of the Governing Board for temporary needs and must accompany a restoration plan.

Summary:

The First Interim Report is submitted to the Board for approval with a Positive Certification of the district's ability to meet its financial obligations for the current and two subsequent fiscal years.

The Positive Certification is recommended because the report indicates a General Fund Reserve Designated for Economic Uncertainty of 3.0% in the current fiscal year, and also for fiscal years 2025-26 and 2026-27.

Based on the financial information presented, it is recommended that the Board of Trustees approve the First Interim Report for 2024-25 with a Positive Certification.